

# Fiscal Year 2024

## Town Manager's Budget Message

(July 1, 2023 – June 30, 2024)



**Town of Nantucket, Massachusetts**  
**16 Broad Street**  
**Nantucket, MA 02554**

**<https://www.nantucket-ma.gov/>**





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**TOWN OF NANTUCKET  
Office of Town Manager**

16 Broad street  
Nantucket, Massachusetts 02554  
508-228-7200

C. Elizabeth Gibson, Town Manager

December 14, 2022

Chairperson Bridges and Members of the Select Board:

Enclosed please find the Town Manager's Proposed General Fund Budget for Fiscal Year 2024 (July 1, 2023 - June 30, 2024) in accordance with the requirements of the Town Charter. The proposed budget as presented would increase by 9.27% over the FY 2023 budget.

The Proposed FY 2024 Town Government budget of \$115,309,099 represents an increase of \$9,785,733, as follows:

The Nantucket Public Schools budget is proposed to increase \$2,150,000 which will continue the strong commitment and investment in public education on the island and address emerging issues and regulatory requirements.

Overall, General Fund expenditures are projected to increase by 7.00%. If approved as presented, Unused Levy Capacity (the amount that the property tax levy can increase above of limit set by Proposition 2 ½) is projected to be approximately \$907K, which is less than 1% of the projected Levy for FY 24. Unused Levy Capacity provides a buffer should the Town need to increase future spending by more than 2.5% and/or address unexpected occurrences.

Each year, Free Cash is certified as of June 30 for appropriation as of July 1. At the time of printing, the Town is still awaiting the June 30, 2022 certification, but estimates it to be approximately \$15 million. Free Cash, in accordance with the Town's financial policy as adopted by the Select Board, is to be used for one-time operating expenses, capital, or to continue to fund the stabilization accounts.

As has historically been the case, Nantucket is dependent on Property Taxes as a source of funding for Town operations with 82.0% of its revenues coming from this source. Other sources include Rooms and Meals (10%) State Aid (3.0%), Other Local Revenues (such as licenses and permits) (5.0%).

The financial health of a municipality is partly reflected in its credit rating for borrowing funds as determined by rating agencies. Since 2018, Nantucket has earned a Aaa credit rating, the highest possible, by Moody's Investors Service. The proposed budget maintains the sound fiscal practices that earned this rating.

Major expense categories include debt service, pension, and health insurance. With the addition of debt service related to the Affordable Housing Trust, continued work within the downtown corridor on sidewalks, additional seasonal employee housing, necessary improvements and repairs to the Town pier and the acquisition of 10-12 Washington Street, debt service is projected to increase from \$11,189,470 to \$14,422,131. Major contributors to the increase include:

- \$1,663,861 for debt-excluded projects including the acquisition of 10-12 Washington Street, affordable housing development, work associated with the Harbor Master Building, and design of the new DPW Campus.
- \$1,499,082 for projects funded within the Levy for work associated with the downtown sidewalk plan, employee housing maintenance, construction of Waitt Drive, and continued investment in affordable housing.

With the increase in value of the stock market, and the Town's continued commitment to funding long-term liabilities, its funded status of both Nantucket's portion of the Barnstable County Retirement System and Other Post-Employment Benefits (OPEB) Trust fund has improved.

#### *Town of Nantucket status within Barnstable County Retirement System*

- As of the January 1, 2022, Actuarial Valuation, the Town of Nantucket has a Net Pension Liability of \$56,934,193 million - this represents 10.35% of the total pension liability of the Barnstable County Regional Retirement System. The pension system is still on track to be fully funded by 2038.

#### *Town of Nantucket OPEB Liability*

- As of the June 30, 2022, Actuarial Valuation, Nantucket has a Net OPEB Liability of \$125,173,141. Nantucket continues to allocate money annually to be put into the OPEB Trust Fund and in accordance with the policy adopted by the Select Board, the savings generated once the pension system is fully funded will be directed into the OPEB Trust Fund.

For the past few years, health care costs and associated health care premiums have risen at a pace greater than inflation. The Town has been fortunate in its ability to maintain rates that have been lower than medical rate inflation. This was achieved through adjustments to plan design, as well as decreased utilization.

#### Total Budget Plan

The Total General Fund Budget includes funding for all Town programs and services with the exception of those Enterprise Fund operations supported by user fees, such as Nantucket Memorial Airport, Nantucket Sewer Department, and the Nantucket Water Department.

#### Town Government Budget

As part of the budget process, the Town has identified the following priorities that help shape the formation of the FY 2024 Town Government budget:

- Housing: Town employee and community workforce;
- Ensuring competitive wage and benefits for employees;
- Providing an increased level of funding for public works, facilities, coastal resiliency;



- Enhancing government services by increasing staff support to town departments to meet the needs of the community and its visitors.

### Conclusion

The FY 2024 General Fund Budget continues Nantucket's proud tradition of being financially sound while providing funds for important programs and services. I would like to thank all of the Department Heads and their staff members who worked with us throughout this budget process.

Sincerely,

C. Elizabeth Gibson  
Town Manager

## ***I. Introduction***

Challenges. Continuity. Caution. These three “C’s” have formed the basis of the past several budget recommendations, and they continue to shape our approach moving into FY24. An emerging “C”, “Civility”, or more specifically the lack thereof, has begun to impact *how* and how efficiently the Town is able to operate.

The Select Board has deemed its top 3 priorities as Housing, Housing and Housing, and the crisis surrounding affordable, safe and stable housing has most certainly impacted the Town’s ability to deliver services. Stable housing is generally positively correlated with a stable workforce, and we have a lot of work to do on both.

Legacy impacts of COVID, staffing shortages, PFAS remediation and integration of coastal resilience recommendations are just a few external factors that add challenges to day-to-day execution. In last year’s budget message, we flagged the backlog of projects as a result of the impact of COVID. That backlog continues to be addressed, but supply-chain issues and labor shortages continue to complicate our efforts. Tires, boat engines, vehicles, chemicals for the wastewater treatment facility and many, many more items are still unavailable or severely delayed at times.

According to the Bureau of Labor Statistics there are still 3 million Americans who have yet to return to the workforce post-COVID. The Town has been greatly impacted by workforce challenges with numerous vacancies in Town Departments and a high “quit-rate” of staff. In the past year our resignation rate is more than twice that of state and local governments across the nation, with more than 30% of staff having resigned from Town employment in the past year. In our 2022 spring State of the Town Address, we highlighted the need for patience as the Town adjusts to this more challenging environment and we need to remain mindful and cautious of this constraint.

Global economic challenges also dictate a cautious approach to budget development. A hawkish Federal Reserve Bank is committed to reducing inflation. Stock markets entered bear market territory and nationally there has been a cooling of the housing market. The Federal Reserve Bank faces the delicate balance of containing inflation without tipping the economy into recession. We must be realistic and cautious that declining discretionary income as a result of recession could lead to reduced economic activity on the island in the coming year. Locally we see mixed indicators, where despite higher interest rates, the Island’s real estate market and associated activities (building permits, sewer permits) remain robust. The Registry of Deeds in FY 2023 continues to benefit from the robust housing market, with receipts on par with the prior year. Room occupancy tax revenue for the first quarter of FY 2023 has exceeded the amount collected last year, however, we have not yet had what we could call a “normal” year of that revenue since it expanded to include short-term rentals in 2019. We are cautious about becoming reliant on the room occupancy tax as a predictable source of revenue.

Below we elaborate on the 4 C's (Challenges, Civility, Continuity and Caution) and their impact on construction of the Town budget.

## **Challenges.**

### *Strategic Plan Initiatives*

With COVID largely in the rear-view mirror, the Select Board held its annual retreat on November 29, 2022, to update its Strategic Plan. The existing plan (Summary found in Appendix C) contains several initiatives that continue to require funding. The updated plan will be available on the Town website in the coming days.

The Select Board recognizes the challenge of operating the Town when its employees have unreliable housing circumstances. Unstable housing leads to employee turnover which reduces productivity and increases costs. Adequate and affordable housing is considered fundamental to ongoing operation of the Town. As new initiatives are approved and ready for execution, the challenge is not only to fund the new initiatives, but to have sufficient staffing in place to oversee and implement the initiatives in a timely manner. We have staff work groups focused on ways to improve recruitment and retention, as well as improving housing access for town employees and emergency placement. We will be seeking funding in FY24 for town employee housing initiatives and will likely need to seek additional funds in subsequent years. Employee housing is a long-term challenge on the island, and we are considering alternatives such as remote work, off-island housing, off-island office space and increased compensation.

### *Our Island Home (OIH)*

In recent years we have noted the financial challenges of operating the Town's municipally-operated nursing home (the only municipally-operated skilled nursing facility in Massachusetts). While the financial challenges remain, we are also experiencing severe staffing issues, exacerbated by housing shortages and wage pressure. The regulatory environment for skilled nursing facilities remains as challenging as ever and we have outsourced a very competent management team that is engaged in the day-to-day operation of the facility. As noted in previous budget messages, OIH does not generate enough revenue to fully fund its operations. There are a variety of reasons for this including the relatively small number of beds (licensed for 45), collective bargaining agreements, regulatory requirements, and maintenance and repair of an aging facility. Most significantly, Federal and State reimbursements do not cover the daily cost of care for a resident. Currently, for FY 2023, the budgeted OIH subsidy from the General Fund is \$5,125,000.

On a positive note, at the 2022 Annual Town Meeting, \$8,500,000 was appropriated for the design phase and associated costs for a new OIH. The planning is occupying a significant amount of staff and volunteer time, but we are making headway. The group is also looking at potential options for a new senior center as we plan for a continuum of care for our older population.

### *Solid Waste*

The Waste Services Agreement (WSA) with our landfill operator, Waste Options, expires in 2025. For several years, we have been working internally on various scenarios, options and cost



projections for consideration as the contract expires. That work continues with one Select Board representative and one Finance Committee representative providing valuable policy input and guidance.

Last year we outlined some of the areas of investigation with respect to the solid waste operation. We continue to grapple with many of the following questions and have come to realize that many are significantly impacted by changing, or potentially changing, technological innovations or regulatory change. An issue we thought we may have decided upon a year ago, may very well be an open issue today because of the dynamics of technology.

1. What goals, programs and/or incentives should be adopted with respect to waste reduction, including recycling?
2. Should Compost Facility operations continue after 2025; and what are the alternatives to composting?
3. If the Town continues with the composting operation, should the Town buy/own the Composter? Should the Town own/operate/lease the Transfer Station?
4. What waste disposal alternatives are realistic, including pyrolysis, shipping off-island, incineration?
5. Should the solid waste operation remain at Madaket Road, given sea level rise and climate change impact projections? What would it take to relocate it?
6. Is there one vendor; or more than one who could realistically operate one or more components to the Town's solid waste facility?

We continue with regular workshops with the Select Board to share and review information we have gathered and to seek policy input.

### *Coastal Resiliency*

Another priority of the Select Board which has significant budgetary implications is Sustainability. Within the Sustainability Focus Area, are goals relating to Coastal Resiliency. The Town has a portfolio of projects within the Hazard Mitigation and Coastal Resilience Plans that seek to protect the Island from climate change impacts. In March 2022 we held a two-day conference for staff, Select Board and members of the public to workshop priorities of the Coastal Resilience Plan. Serious financial hurdles are on the horizon.

The scope and cost of these plans are likely to present serious challenges to the Island's taxpayers. There are projects identified between now and 2035 that may cost the Town as much as \$500,000,000. While some financial grants are likely, they will not significantly offset the costs to protect Nantucket from the impacts of climate change and sea-level rise. As of the preparation of this Budget Message, the Coastal Resilience Plan is being integrated into the 10-year Capital Improvement Plan to provide a more robust forecast of future financial requirements upon the Town.

We also created a new position, Sustainability Program Manager, and have successfully filled the position, paving the way for increased focus on ensuring the actions we take today do not negatively impact future generations.

### **Civility.**

Unproductive, mean-spirited civil discourse has become mainstream nationally and has also found its way to our island. It has caused distraction, created delays, and divided our community and without question comes at a cost. A Harvard Business Review study found that when treated in an uncivil manner, nearly 80% of employees lost work time worrying about the situation, and their job commitment declined. Nearly 50% of workers stated they intentionally reduced their work effort and their time spent at work. Our challenges around housing, staffing, and the escalating cost of living are large enough on their own, we do not need unhelpful, uncaring and often personal attacks, permeating how we engage as a community of islanders. We all must do better.

### **Continuity and Financial Strengths.**

- The Town's bond rating was maintained at the Aaa level by Moody's Investor Services in June of 2022 (Appendix D) with a Stable Outlook. The Town continues to have a rating of Aa+ from S&P Global. The Aaa rating is Moody's highest rating for a municipality and Nantucket is one of 15 (out of 351) cities and towns in Massachusetts to achieve this rating. A benefit of these high ratings includes the opportunity to borrow at lower interest rates.
- Free Cash for use in FY 2023 and FY 2024 is pending certification by the state Department of Revenue as of December 1, 2022. Full certification is expected in late December 2022 or early January 2023. Pursuant to Town policy and best management practices, Free Cash is used for non-recurring items such as capital projects or other one-time expenses. See Appendix E for a five-year history of certified Free Cash.
- The Stabilization Fund remains strong with a balance of \$5,761,339 at the end of FY 2022 (Appendix F). A best management practice is to have reserves that are 10% of the budget. Using an approximate budget of \$115,000,000 the Stabilization Fund balance is approximately 5% of the budget. A transfer from Free Cash to the Stabilization Fund was authorized at the 2022 ATM in the amount of \$1,500,000 to be made in FY 2023. Combined with the pending Certified Free Cash (undesignated reserves), we expect the reserve amount to exceed the best management practice guideline as per the Town of Nantucket Financial Reserves Policy (Appendix G).
- The Town maintains a balance of \$1,299,800 in its Capital Projects Reserve Fund at the end of FY 2022. The current balance represents 0.94% of expenditures. A best management practice is to have capital projects reserves meet or exceed 3% of the budget. At 2022 Annual Town Meeting the Town approved \$1,250,000 to be transferred in FY23 into the Capital Projects Stabilization Fund from Free Cash as of July 1, 2022. This transfer better positions the Town relative to its Financial Policies and Procedures.
- Short-term and long-term capital project planning continues. In the fall of 2017, the Capital Program Committee, working with Town Administration began to develop a

more robust review process, involving a standardized ranking system that allows for a consistent approach to prioritizing capital projects in a systematic manner, and provides additional transparency as well accommodates anomalies or unusual circumstances. Software was developed for the Town to more efficiently review and process capital requests for all stakeholders involved in the capital planning process. The process continues for FY 2024 capital planning. The Capital Improvement Plan (CIP) is updated annually (Appendix H).

- Increased focus on Town infrastructure continues to be a Select Board priority. Work to compile a comprehensive list of all town-owned facilities, along with condition assessments, current maintenance needs, and a maintenance schedule continues. The FY 2024 Capital Project and General Fund recommendations will continue the focus on infrastructure maintenance and improvement.
- Local receipts, including meals excise tax and room occupancy tax revenues remain stable after a strong growth period in the aftermath of the Financial Crisis of 2007-2008. New growth may be showing signs of increasing.
- In FY 2023, new growth was certified at \$1,398,303 – this represents a \$286,079 increase from FY 2022 (26% increase). The increase can be attributed to the increase in building on the island as projects that were started during COVID-19 were being completed during 2022.
- In January of 2019, the state enacted new legislation that expanded the hotel/motel room occupancy tax to cover certain short-term rentals. Link: <https://www.nantucket-ma.gov/1327/Short-Term-Rentals>. Collections for the first quarter of FY 2023 remain strong. The Select Board has discussed reserving some amount for specific purposes, including affordable housing, human services, infrastructure improvements/maintenance. It would be prudent to have a better picture of how much additional revenue we may be realizing from this expanded tax before commitments for its use are made. Room occupancy tax revenue for the period of June 2022 through September 2022 was higher than the same period a year ago.
- The Town has maintained its commitment to funding the OPEB Trust Fund (Other Post-Employment Benefits) with annual contributions of \$500,000 since 2015, therefore lowering its net liability. The balance of the OPEB Trust Fund at the end of FY 2022 is \$4,885,113 (Appendix J). At 2022 Annual Town Meeting the Town approved \$1,000,000 to be deposited into the OPEB Trust Fund from the FY 2023 tax levy and other general revenues and Free Cash as of July 1, 2022.
- The Town continues to make its annual required contribution to the Barnstable County Retirement System. When compared to the rest of the Commonwealth's municipalities, Nantucket remains in the top half in terms of retirement funding levels.



- The COVID-19 pandemic has slowed the utilization of healthcare across the country and Nantucket. While the town did experience lower utilization of health insurance during the pandemic, it is now seeing a movement towards higher utilization at the end of FY 2022 and into the beginning of FY 2023. The Town continues to work with its health insurance consultant, monitoring utilization and exploring ways to mitigate the risk and reduce the overall cost of the insurance. (See Appendix K, Price Waterhouse Cooper (PWC) article June 2021).
- For the eighth consecutive year, the Town was awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the Town's Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR). Our Fiscal Year 2022 ACFR has been submitted to the GFOA, currently the town is awaiting the results of that review.

### **Caution.**

In the same way we cautioned about revenues and expenses in last year's budget, we are closely monitoring economic trends and continuing with our cautious approach to both revenue and expense projections. Revenue projections are clouded by the possibility of a recession and expense projections are meaningfully impacted by stubbornly high inflation. We are also entering a period of collective bargaining at a time when wage settlements are higher than any time since 2002 according to Bloomberg Law survey in March, 2022. Rising wage demands are impacting the financial positions of public companies and municipalities alike.

While we all hope a recession can be avoided, warnings signs loom. According to the World Bank, *"several historical indicators of global recessions are already flashing warnings. The global economy is now in its steepest slowdown following a post-recession recovery since 1970. Global consumer confidence has already suffered a much sharper decline than in the run-up to previous global recessions. The world's three largest economies—the United States, China, and the euro area—have been slowing sharply. Under the circumstances, even a moderate hit to the global economy over the next year could tip it into recession."* On the opposite side of that ominous warning is a more optimistic scenario where very recent inflation data suggests a slight trend lower, natural gas prices are well down from their highs which is important as we head into the winter months and some supply-chain issues seem to be dissipating.

Just as central banks have a balancing act between subduing inflation and tipping the global economy into recession, so too, the Town faces a delicate balance of managing the increasing demands of a growing island community while remaining within the levy limit. As we head into FY 2024, the Town's ability to fund expanding demand for programs, provide ever more services, maintain quality of life, and maintain facilities and infrastructure will be stretched. Addressing the expanding demand requires a stable workforce and we must acknowledge the difficulty of attracting, retaining and housing employees.

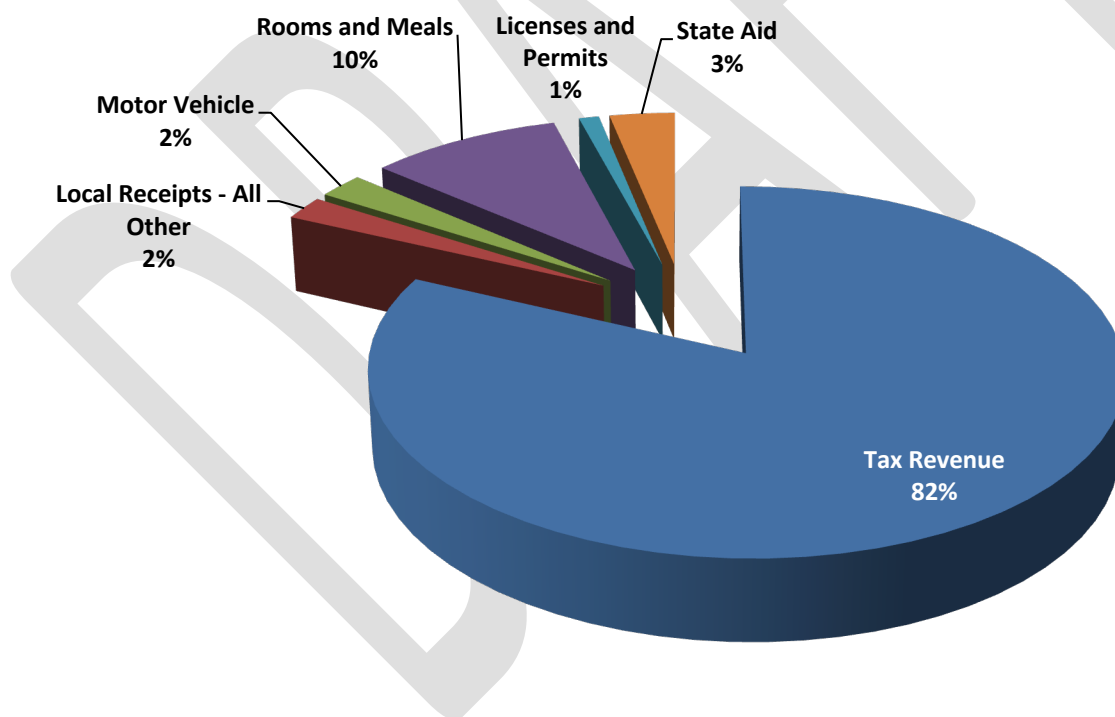
In summary, the FY 2024 budget is particularly challenging due to its many "unknowns". What will inflation do to our already existing project plans? Will we still have sufficient funding for our capital plans? Will wage negotiations further constrain funding for other important service provisions? How quickly can we bring more housing online? Will we come together as a

community, or will we succumb to incivility? One of the few things we can say with certainty is that difficult choices will need to be made.

Each year, we must present a balanced budget which represents a plan of service for the community. Not all requests and needs can be met to the degree desired by individual groups and departments. We continue to be impacted by the effects of the current growth period on the Island, which is straining Town resources. Fixed costs are always increasing, especially employee benefits, service contracts, supplies and equipment, insurance and utilities. The Town's levy capacity for FY 2024 allows for some increases to existing Town and School operations after allocations to Our Island Home, Solid Waste Enterprise Fund and Nantucket Regional Transit Authority (NRTA).

## ***II. Overview of FY 2024 General Fund Budget Projection***

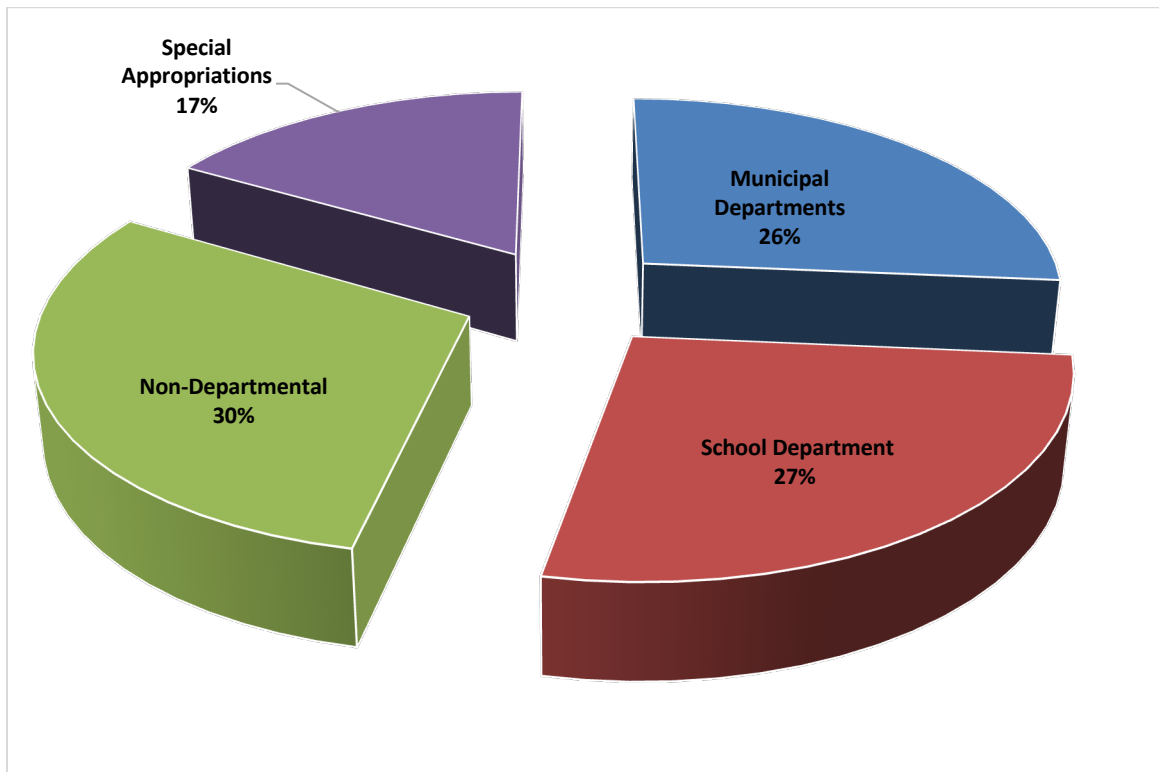
### **A. Projected FY 2024 General Fund Revenue**



*Refer to Appendix M for a detailed breakdown of the FY 2024 proposed General Fund revenue as*

*compared to the FY 2023 approved budget.*

B. Projected FY 2024 General Fund Expenses



The proposed FY 2024 General Fund budget will fund:

- Projected Town and School salaries and fixed/current operational expenses – with some additional positions and programs.
- Fixed costs allocated between several expense categories including:
  - Health Insurance for active and retired employees is projected to rise at a rate of ~10% for FY 2024. While the Town did realize cost savings because of plan design changes in FY 2019, and while utilization rates are lower in the last quarter of FY 2022 and into FY 2023, we do expect them to rise near the end of FY 2023 and into the beginning of FY 2024. The continued rise of medical rates inflation has had an impact on the FY 2023 health insurance budget. The pandemic has made budgeting for health insurance much more difficult than in previous years, as people were not able to physically go to their doctors for routine medical care for much of the year in 2020 and 2021.
  - General Insurance is projected to increase 18.5% from FY 2023 actuals, based on current trends. The increase is resulting from the large losses that carriers have faced across the nation due to severe natural disasters over the past few years.
  - Debt service is established by the current repayment schedule. Debt service will



increase in FY 2024 because of the Town issuing debt for Affordable Housing, Waitt Drive improvements, sidewalk improvements and more. The Town will see an upward trend over the next 2-3 years in debt service, as new borrowings are undertaken for prior approved projects. (Appendix N)

- The Barnstable County retirement assessment is assumed to increase 8.5% in FY 2024.

■ General Fund subsidies to the following Enterprise Funds are projected for FY 2024:

- Our Island Home - \$5,253,125
- Solid Waste - \$6,832,210 for landfill operations
- Solid Waste - \$5,000,000 override
- Storm Water - \$500,000

■ Minimum capital funding requirement of \$1,200,592, allocated equally between the Town and School departments for capital improvements, pursuant to a requirement of the Town Code:

*The Town shall spend on capital projects a minimum of 1% of total Town local receipts collected in the prior fiscal year plus 1% of the total real estate and personal property taxes collected in the prior fiscal year. If local receipts fall below the 1% minimum, the Town may forego the funding requirement. Nantucket Town Code Chapter 11, § 11-12.1*

■ Other Annual Appropriations for the following:

- \$500,000 to the Other Post-Employment Benefits (OPEB) Trust Fund, in accordance with the Town's OPEB policy. FY 2024 will be the 8<sup>th</sup> consecutive year in which a contribution to this Trust Fund is made. The balance of the fund at the end of FY 2022 is \$4,885,113 (Appendix J);
- \$500,000 to the Reserve Fund (see Appendix F);
- State Cherry Sheet charges, the County Assessment and unpaid bills from prior fiscal years;
- Annual Health and Human Services appropriation is funded at \$825,000 for FY 2024. The funding is split between a \$650,000 contribution from the General Fund and \$1750,000 from the Special Purpose Stabilization Fund for Substance Abuse.

*Refer to Appendix O for a detailed breakdown of the FY 2024 proposed General Fund expenses as compared to the FY 2023 approved budget.*

### ***III. Town Administration Expense Increase Recommendations***

#### ***Background***

Over the past 7-8 years, Nantucket has experienced significant growth and the Town's scope of responsibility has increased. We have taken on and/or funded new initiatives in response to needs, requests and mandates, yet staffing and service levels have not all kept up with the Island's growth, particularly in areas such as: infrastructure and public building maintenance, project management, code enforcement and community and town employee housing efforts.

In addition, global, national and regional issues of coastal resiliency, solid waste management and energy use are becoming more and more critical in terms of climate change, sea level rise and sustainability of natural resources. The Select Board's Strategic Plan is intended to help focus Select Board initiatives and budgetary allocations toward the goals contained within the Plan. Information as to the specifics of the current Strategic Plan may be found on the Town website at <https://nantucket-ma.gov/1530/Strategic-Planning>. Many other mandated and goal-oriented plans and studies have been developed in the past several years which are taken into consideration during budget development, these include:

- 2018 Staffing Study
- Hazard Mitigation Plan
- Coastal Resiliency Plan
- Green Community Requirements
- Town-wide PFAS Assessment
- Parks Master Plan
- Capital Improvement Plan
- Facilities Master Plan
- Diversity Equity and Inclusion Assessment

*FY 2024 Expense Increase Requests*

Departmental expense increase requests (EIR) for FY 2024 are shown in Appendix P, separated into categories of:

- Personnel Requests
- Expense Requests – One-time
- Expense Requests – On-going

Using a point system, with “Legal Mandate” being automatically supported, the requests were individually ranked and prioritized in accordance with the following criteria:

<b><u>Ranking Criteria</u></b>	<b><u>Scale</u></b>	<b><u>Description</u></b>
Legal Mandate	Y/N	Required by State/Fed or Local Bylaw (Y = Automatically Fund; Score of 9.0)
Staffing Study	0-2	Is it within the Staffing Study? If yes, 1 or 2 score would be determined by priority level (2 for higher priority)
Strategic Plan	0-2	Is it within the Strategic Plan? If yes, 1 or 2 score would be determined by priority level (2 for higher priority)
Staffing Study & Strategic Plan	0-1	Is it in <i>both</i> Staffing Study and Strategic Plan then 1 additional point to weight it higher
Department Operations & Efficiency	0-1	Funding necessary to support provide a department with necessary support for existing <i>or</i> new program
Approved New Programming	0-1	Funding necessary to support a new initiative
Necessary for Existing Programming	0-1	Funding necessary to support or expand ongoing initiatives
Continuation of Operations	0-1	Funding necessary to support unexpected increases or items already operationalized (e.g., software licenses)

Since it will not be possible to fund most of the requests without either additional revenue or reductions elsewhere, we have:

- focused our recommendations on the Select Board's Strategic Plan, and the other studies and plans referenced above; as well as critical Town operational issues;
- recommended use of funds from other sources (such as fund the one-time expenses from Free Cash and/or borrowing);
- reallocated existing resources;
- not recommended funding and/or will take a different approach; or, funded a reduced request.

We have prioritized the EIRs using the system noted above, and recommendations follow:

Department	Description of Expense Request	One-Time or Ongoing	Approved EIRs (1)
<b>Personnel Expense Increase Requests (EIRs)</b>			
DPW	Addition of 2 Facility Technicians	Ongoing	188,886
DPW	Central Fleet Admin	Ongoing	102,742
Finance	Addition of 1 Accounting Clerk	Ongoing	102,742
Fire	Addition of 4 Lieutenants	Ongoing	406,403
Housing	Rental Property Manager	Ongoing	*
HHS	Volunteer Coordinator part-time	Ongoing	67,871
Marine	Deputy Harbormaster	Ongoing	119,922
PLUS	Senior Planner	Ongoing	128,671
PLUS	Overtime increase	Ongoing	15,000
<b>Department Personnel EIR</b>			<b>\$ 1,132,238</b>

\*The funding for this position already exists in the Housing Department's budget. Professional services will be reduced.

<b>Operating Expense Increase Requests (EIRs)</b>			
IT	IT Assessment and Strategic Plan	One-Time	100,000
Housing	Employee housing property rent	One-Time	200,000
Housing	Housing subsidy program	One-Time	1,000,000
NR	Upgrades and repairs to Hatchery equipment	One-Time	25,000
Town Admin	Facilities maintenance study	One-Time	75,000
Town Admin	Baxter Rd alternative access	One-Time	150,000
Town Clerk	High Speed Tabulator and Poll Pad for Town elections	One-Time	9,500
DPW/Central Fleet	Increase in repairs & maintenance vehicle	Ongoing	100,000
DPW/Central Fleet	Increase in repairs & maintenance equipment	Ongoing	100,000
DPW/Central Fleet	Central Fleet management platform	Ongoing	12,000
DPW/Central Fleet	Increase in professional services	Ongoing	15,000
DPW/Central Fleet	Increase in repairs & maintenance consumables	Ongoing	30,000
DPW/Central Fleet	Increase in state travel	Ongoing	20,000
Finance	Additional OpenGov Services	Ongoing	65,000
FinCom	Increase in printing	Ongoing	5,000
HR	Increase in funding for employee recognition and training	Ongoing	36,500
HR	Increase in funding for other recruiting expenses	Ongoing	30,000
HR	Increase in professional services NeoGov services	Ongoing	20,000
HR	Increase in professional services employee pre-employment physical	Ongoing	10,000
IT	Increase 5% Annual Professional Services	Ongoing	32,395
Park & Rec	Increase in repairs & maintenance buildings	Ongoing	30,000
Park & Rec	Increase in repairs & maintenance equipment	Ongoing	30,000
Park & Rec	Increase in repairs & maintenance grounds	Ongoing	150,000
Park & Rec	Consolidation of Town Landscape contracts	Ongoing	200,000
Public Facilities	Property Management	Ongoing	150,000
Street Lighting	Street lights maintenance	Ongoing	100,000
Town Admin	Communications division	Ongoing	125,000
Town Admin	Professional services	Ongoing	50,000
Town Admin	Employee retention strategies	Ongoing	300,000
Town Admin	NCTV additional services	Ongoing	30,000
Town Admin	Out of state travel increase	Ongoing	8,000
Town Admin	Professional services in DEI division	Ongoing	13,000
Town Clerk	Sound services for ATM	Ongoing	5,000
Town Clerk	Binding of vital records	Ongoing	10,000
<b>Total Operating Expense Increase Requests</b>			<b>\$ 3,236,395</b>
<b>Total Town Personnel &amp; Operational Expense Increase Requests</b>			<b>\$ 4,368,633</b>



## FY 2024 Personnel Expense Increases

### *1. Department of Public Works*

#### Facility Technicians (2 Additional positions)

Proper, scheduled maintenance of facilities is commonly considered the most cost-effective method to protect assets. The Town owns numerous facilities, including a growing stock of rental housing properties. Our Facilities division has just 4 staff to maintain all Town-owned properties, including items like streetlights and public restrooms. It is imperative that we build our capabilities to properly maintain facilities. For an inventory of Town-owned buildings, please see Appendix T.

#### Central Fleet Admin (New position)

In FY 2023 an outside consultant performed a study to determine the capabilities of our central fleet division. While the full report is not yet available, one of the preliminary recommendations is to add an administrative position. The position would be responsible for activities such as data collection and input of vehicle usage, managing the keys inventory, fuel and mileage usage, checking in/out vehicles, ensuring maintenance schedules are kept up-to-date and managing the vehicle data base.

### *2. Finance Department*

#### Accounting Clerk (Additional position)

This request is to increase the staff in the Accounting Office by one Accounting Clerk. The Finance Office, in conjunction with the Treasurer's office, processes the cash turnovers from all departments in the town. The accounting department posts the turn-over receipts into the accounting software. During the last 3 Fiscal Years the office has processed on average approximately 9,216 turnovers per year. We currently have 1 person processing turnovers and reconciling accounts receivable. For operational efficiency the office would be able to function more efficiently with a separate position responsible for posting turnovers. The addition of this position would also bring the accounting department back to the level as was recommended in the 2018 staffing study.

### *3. Fire Department*

#### Lieutenant (4 New positions)

The positions will be filled through a rigorous competitive examination process. These positions, when filled, will allow for a second-in-command on each shift. This provides additional span of control on each shift which is considered essential. Adding another officer to each shift will ensure that there is at least one officer on duty at all times. This provides an increased level of safety, ensures accountability, and helps the department to operate more efficiently. These new officers will help to accomplish many of the collateral duties that the Captains are currently managing. In addition, these new officers will play a major role in moving the Advanced Life Support program forward in the department.

### *4. Housing Department*

#### Rental Property Manager (New position)

Providing stable housing for employees is an important retention strategy of Town Administration. The Town both owns properties that it rents to employees and also rents properties that are then licensed to Town employees. We have a growing inventory of rental properties (currently ~15) that requires management, and this role will be responsible for that management. Whether the Town “rents to” or rents from”, there is a significant amount of oversight that is necessary to manage the properties and processes. Key activities of this role include managing lease and license agreements, ensuring maintenance items are addressed by Facilities division, ensuring proper rent collection, investigating discrepancies, working with payroll to set up automatic deductions, and much more. For information on Town-owned rental properties, please see Appendix S.

5. *Health & Human Services Department: Part-time*  
Volunteer Coordinator (New position/part-time)

The Town seeks to provide higher quality services to its older population and therefore requires additional resources. The responsibilities of this role include managing administrative tasks related to the on-going Nantucket Behavioral Health Initiative, maintaining communications and monitoring administrative needs for Behavioral Health Aid Corps, surveying and communicating with a Human Services volunteer group, scheduling and administering Council for Human Services meetings, and incidental support at Saltmarsh Senior Center.

6. *Marine Department*  
Deputy Harbormaster (New position)

The 2018 Staffing Study recommended a four assistant Harbor Master positions. Recent discussions determined that it would create more efficiency within the Harbor Master team if the recommended 4th position (three are currently funded) was in more of a leadership role. The deputy will provide continuity and leadership in the absence of the Harbor Master and/or in the execution of simple day-to-day activities of the team.

7. *Planning & Land Use Services*  
Senior Planner (Reinstated position)

Substantial long-range and advanced planning initiatives are underway and additional high-level staff resources are needed. The Senior Planner will also assist Land Use Planners and Zoning Enforcement Officers with the more complicated permitting matters that currently require attention from the Deputy Director and Director of Planning.

FY 2024 Operational Expense Increases (One-Time) The items listed below are considered one-time and as such, may be funded through Free Cash.

1. *Information Technology*  
IT Assessment and Strategic Plan - \$100,000
2. *Housing Department*  
Employee housing property rent - \$200,000  
Employee housing subsidy program - \$1,000,000

3. *Natural Resources*  
Upgrades and repairs to Hatchery equipment - \$25,000
4. *Town Administration*  
Facilities maintenance study - \$75,000  
Baxter Road alternative access management - \$150,000
5. *Town Clerk*  
High Speed Tabulator and Poll Pad for Town elections - \$9,500

FY 2024 Operational Expense Increases (On-going)

1. *DPW/Central Fleet*  
Increase in vehicle repairs and maintenance - \$100,000  
Increase in equipment repairs maintenance - \$100,000  
Central Fleet software management platform - \$12,000  
Increase in professional services - \$15,000  
Increase in supplies for repairs and maintenance - \$30,000  
Increase in travel - \$20,000
2. *Finance/FinCom*  
Additional OpenGov software financial services - \$65,000  
Increase in printing costs - \$5,000
3. *Human Resources*  
Increase in funding for employee recognition and training - \$36,500  
Increase in funding for other recruiting expenses - \$30,000  
Increase in professional services NeoGov human resources management software services - \$20,000  
Increase in employee pre-employment physical and inoculation requirements - \$10,000
4. *Information Technology*  
Increase license fees and associated professional services by 5% - \$32,395
5. *Parks and Recreation*  
Increase in building repairs and maintenance - \$30,000  
Increase in equipment repairs and maintenance - \$30,000  
Increase in ground maintenance and repairs - \$150,000  
Consolidation of Town Landscape contracts\* - \$200,000  
\*Please see Appendix V
6. *Public Facilities*  
Contracted property management services - \$150,000

7. *Street Lighting*

Street light maintenance - \$100,000

8. *Town Administration*

Professional services for communications division - \$125,000

Professional services as needed - \$50,000

Employee retention strategies - \$300,000

NCTV additional services - \$30,000

Out of state travel increase - \$8,000

Professional services in DEI division - \$13,000

9. *Town Clerk*

Sound services for Annual Town Meeting - \$5,000

Binding of vital records - \$10,000

#### ***IV. Current and Future Year Considerations***

##### *Sustainability*

In October 2018 the Select Board adopted “Sustainability” as a guiding principle of the Town’s Strategic Plan:

*Sustainability is how the Town of Nantucket, with a focus on historic preservation, natural resources, hazard mitigation, solid waste management, energy, public health, and education, institutionalizes practices in municipal operations that support a balance of the economic, environmental, and social health of our Island, which meet the needs of current residents and visitors without compromising the ability of future generations to meet evolving needs.*

We have hired a Sustainability Program Manager to begin the development of a Sustainability Division within the Town and to develop a plan to operationalize a Sustainability “lens” for applicable Town projects and programs.

##### *Coastal Resiliency/Infrastructure/Planning*

Global warming, climate change and sea level rise have been more and more frequently appearing in the news media as growing issues for municipalities. In FY 2019, we completed an update to the Town’s Hazard Mitigation Plan, which can be found here <https://www.nantucket-ma.gov/1373/Hazard-Mitigation-Plan>. The plan recommends over 50 projects for implementation over the next five years. The Select Board established a Coastal Resiliency Advisory Committee to make recommendations about a variety of coastal resiliency issues, including a Coastal Resiliency Plan (CRP). (<https://www.nantucket-ma.gov/1391/Coastal-Resiliency-Advisory-Committee>). In mid FY 2022 Coastal Resiliency Plan was issued through the efforts of the Coastal Resiliency Advisory Committee with its consultant, Arcadis. In early 2022, Select Board members, Town staff and members of the public participated in a two-day Design Thinking Workshop to increase familiarity with the CRP and associated issues and to build consensus among staff and boards around the CRP and ways to move forward. The group of ~35 attendees first defined opportunities within the CRP and then on the second day

established success metrics for each opportunity.

### *Parks Master Plan*

A Parks Master Plan was finalized in winter of 2020 and projects were integrated into the Capital Improvement Plan. Subsequently, updated FEMA sea level rise projections were issued, indicating that certain areas, such as Tom Nevers Park where significant infrastructure was recommended, should be reconsidered. Overlapping projects, including the School Department Campus Improvement Plan and the Public Works facility potential relocation to the Delta Fields area, have caused portions of the Parks Master Plan to be reconsidered. That process is on-going in FY 2023 and into FY 2024 and may result in modifications to certain projects in the Plan in these areas.

All of these are likely to include recommendations for capital or other expenditures to address ways in which the Town can be responsive to the impacts of environmental change on Town infrastructure. We need to pay attention to this because expenditures and/or impacts are imminent. Other impacts could include the loss of taxable real estate and a reduction in the Town's bond rating.

### *Collective Bargaining*

In FY 2022, the Town completed negotiations with most Collective Bargaining units for contracts through June 30, 2023. Negotiation for contracts expiring in FY 2023 will commence in FY 2023 when we will again begin work with the Select Board and other voting agencies (Airport Commission, Nantucket Water Commission, School Committee) to develop our approaches to upcoming collective bargaining and to review financial projections, employee benefit costs and universal union contract language issues. Appendix Q shows the list of collective bargaining contracts. The contracts can be found at <https://www.nantucket-ma.gov/2384/Labor-Agreements>

### *Police Reform*

The Police Department is actively working to implement the measures contained in the Police Reform Act enacted on December 31, 2020. There will be costs associated with measures such as additional and/or new certification and training requirements, body cameras and associated equipment and staff to manage this program. Some of the measures have not yet been fully defined through the necessary regulations; and will need to be collectively bargained. We are working to plan for these expenses. Please see Appendix U for the department's progress toward reform.

### *Harbor Place*

Discussions with the Harbor Place owners' group continued into FY 2022 after a COVID delay. Depending on how the project develops, there may be an impact on Town resources in connection with future infrastructure maintenance and capital costs. At the 2020 Annual Town Meeting, an appropriation of \$150,000 was approved for the engagement of a consultant to assist the Town with developing concepts for transportation-related improvements. That effort remained underway in FY 2022 and at the time this Message is being prepared, it was not clear when recommendations will be brought to Town Meeting.

### *Per and Polyfluoroalkyl Substances (PFAS)*

Per-and polyfluoroalkyl substances, also known as PFAS, are a group of manmade chemicals that have been manufactured and used in a variety of industries since the 1950s. They are referred to as ‘forever chemicals’ – they are persistent in our bodies, mobile in the environment and many will not naturally degrade. PFAS chemicals are most often commercially used to create grease, water, and stain resistant barriers for materials, including Teflon, grease-resistant take-out containers, and upholstery and carpet treatments; these chemicals are also found in firefighting foam.

Concerns have been raised regarding human health and ecological risks associated with certain PFAS chemicals. The Town of Nantucket is following the guidance and testing requirements of Massachusetts Department of Environmental Protection (MassDEP) as it pertains to PFAS. More information is available at <https://www.mass.gov/info-details/per-and-polyfluoroalkyl-substances-pfas>

Like other municipal governments, the Town is working to understand the sources and receptors of PFAS in the environment. Since July 2020, the Town has engaged in multiple contracts with CDM Smith, Inc, an environmental engineering and construction firm, with costs totaling \$990,100 to assist the Town in various efforts regarding its long-term voluntary PFAS assessment and analysis. Projects include a multi-phase island-wide PFAS assessment of municipal properties, a public water system model and expansion study, a MassDEP for a State Revolving Loan (SRF) application, an SRF water main expansion project, a contaminated material handling protocol project, and a wastewater influent testing program at the Surfside Wastewater Treatment Facility.

The Town’s PFAS-related efforts are expected to span several years and there are likely budgetary impacts in both the General Fund and Enterprise Funds. As more information is collected and assembled, the scope and cost of PFAS containment, source reduction and cleanup will be better understood. It is unclear whether outside funding will be available to help offset what could be a substantial financial impact to cities and towns. The Town’s response to PFAS can be found at <https://nantucket-ma.gov/1574/PFAS>

### *Diversity Equity and Inclusion (DEI) Initiatives*

The Town of Nantucket’s Diversity, Equity and Inclusion Office (DEI) continues to work towards its many objectives. Work with our DEI consultants, Tangible Development LLC, continues and several milestones have already been accomplished. As part of our strategic plan development, the Town received its first DEI Assessment Report in August 2022. The report highlights Nantucket’s areas of success and areas for growth within the practice of municipal DEI. The consultation also helped to create an internal Diversity, Equity & Inclusion Committee (DEIC). The purpose of the DEIC is to share DEI education with town employees using a variety of opportunities. Nantucket’s affiliation with the Massachusetts DEI Coalition continues and the Town is a listed contributor in the state’s first ever DEI Guide, which was published in 2022 and supported by the Metropolitan Area Planning Council (MAPC). The DEI Office continues to provide and engage in a variety of internal and external opportunities that promote DEI. The Town of Nantucket is committed to doing the foundational work necessary to truly implement and practice the principles of diversity, equity and inclusion.



### *Health and Human Services Funding*

We propose to allocate \$825,000 to local health and human service agencies in the community for FY 2024. This funding allocation is the same as FY 2023 and continues to be among the highest of all towns in Massachusetts. The funding consists of a \$650,000 commitment from the Town's General Fund along with funding in the amount \$175,000 being recommended to come from the Special Purpose Stabilization Fund for Substance Abuse paid to the Town by the Island's marijuana dispensaries and/or marijuana retail establishments. Each year, agencies apply for funding and applications are reviewed by the Human Services Contract Review Committee which makes recommendations regarding appropriations to the Finance Committee and Select Board.

### *New/Expanded Revenue Possibilities*

Other areas to potentially look toward in the future for generating new revenue to cover needs and priorities include (several of these are part of a 2009 Ad Hoc Fiscal Committee Report - <https://www.nantucket-ma.gov/170/Ad-Hoc-Fiscal-Committee>):

- PILOT possibilities (Payment-in-Lieu-of-Taxes) for entities that do not pay property tax, such as certain tax-exempt organizations such as hospitals, posts and churches – if all of these were taxed in FY 2022, taxes due would have exceeded \$16,650,000;
- parking fees (increase parking fines; implement paid parking downtown – use funds for transportation-related improvements);
- taxi transaction fee (requires meters);
- increase Town permit fees other than those already at statutory maximum allowance (over the road permits, road closing, etc.);
- increase to the ferry embarkation fee (requires substantial political work and coordination with the other ports);
- increase of real estate transfer tax for housing initiatives or another dedicated purpose (requires special legislation which was approved at 2016, 2017, 2018, 2019 and 2020 Town Meetings - efforts continue to further the legislation);
- new local option surcharge on tax bills of up to 3% (similar to how the Community Preservation Act surcharge is applied) called the Municipal Water Infrastructure Investment Fund ("WIIF") – we began to examine how this could be used for Nantucket in late 2019; however discussions stalled due to COVID and we are working to resume an evaluation as to how this could benefit Nantucket, as well as an evaluation of the Cape & Islands Water Protection Fund which derives revenue from the recent expansion of the room occupancy tax to short-term rentals.

Some of the above noted items are being developed and others are noted only for informational purposes. In addition to potential ways to generate additional revenue, we are continuously reviewing actions that would allow us to address a slow-down in economic activity. These include:

- review all municipal services for reduction or elimination – in other words, an “Austerity Budget”
- reduction-in-force of personnel
- enforce a hiring “freeze” or “chill”
- eliminate unexpended expense increases, including vacant positions
- reduce the NRTA year-round service (would have a delayed impact because of how/when NRTA is funded through the state)
- defer capital projects.

## ***V. Conclusion***

The proposed FY 2024 General Fund budget can be funded within available revenue, while supporting new and on-going initiatives and positions and providing continuity of services. The list of challenges is long and includes funding the growing priorities and increasing demands for services from the community; retaining, attracting and housing qualified employees; and, maintaining infrastructure while making it more resilient. Solid waste management, storm water, and PFAS issues will all require significant focus in FY 2024. It will take additional resources in the coming year(s) to address these, as we have noted in this Message and in prior Messages.

Thanks to the Select Board, Town departments, Finance Committee, Capital Program Committee, and especially to the staff who spend many, many hours putting together the information necessary to develop these budget recommendations, especially Assistant Town Manager for Strategic Projects Gregg Tivnan, Director of Municipal Finance Brian E. Turbitt, Assistant Town Manager Rick Sears and Assistant Town Accountant Mariya Basheva.

***Prepared by:***

*Town Manager, pursuant to Article IV, Section 4.2(d)(3) of the Charter of the Town of Nantucket*